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SUBJECT: JAPAN PROPOSES A "PATENT FTA"

¶1. (SBU) Summary: Building on earlier proposals for a "Patent Superhighway" Japan is now considering what it calls a "Patent Free Trade Agreement" (FTA) between the US and Japan. The plan calls for the Japan Patent Office (JPO) and US Patent Office (USPTO) to share the results of patent examinations so that applicants could receive a speedier patent review in the second country. After a 3-year confidence-building period the GOJ proposes that the second patent office grant a patent based on the results of the first patent office's examination. GOJ believes that Trilateral talks among U.S. Japan, and the EU on sharing the results of patent searches are not progressing because of EU internal problems, and that a targeted bilateral agreement makes more sense because U.S. and Japanese views and approach are much closer. However, US firms are wary of a system that would obligate the USPTO to issue a patent based on the examination results of another patent office. End Summary.

¶2. (U) The Cabinet's Intellectual Strategy Headquarters (IPSH) Secretary-General Hiramitsu Arai shared his latest proposal with John Neuffer, Deputy Assistant USTR for Japan; Michael Keplinger, Senior Counsel, International Relations Office, USPTO; and Steven Tepp, Planning Policy Advisor, Office of Policy and International Affairs, US Copyright office at IPSH on January 25.

¶3. (SBU) Background:

Japan is looking for ways to cope with the explosion of patent applications in the last 10 years, which has lead to a backlog of 800,000 applications and an average wait of 27 months before applications are examined. Recently it offered to refund all application fees if companies would withdraw their applications. The JPO is asking corporations that submit more than 1000 patent applications a year to submit fewer applications. An IBM-Japan Patent Attorney recently told us that JPO had asked him to stop submitting so many patent applications.

¶4. (U) According to JPO statistics, Japan alone handle 37 per cent of patent applications worldwide, while the US handles 22 per cent and the EPC (European Patent Office) 21 per cent. Together the three offices handle 80 per cent of worldwide patent applications. JPO has had trilateral

dialogues not only with the U.S. and EU but also with China and Korea (the State Intellectual Property Office of China, SIPO and the Korean Intellectual Property Office, KIPO.) JPO Commissioner Nakajima recently announced that one of JPO's priorities is to push for international harmonization of patent systems. The JPO Commissioner called for a trial run of what he called the "Patent Prosecution Super Highway" and with the US Patent office. The JPO announced plans to start a similar dialogue with Korea.

15. (U) IPSH's Patent FTA proposal:

IPSH now wants to take the idea a step further with a bilateral agreement which would start with a three-year trial under which applicants would be able to apply to either the USPTO or JPO and each would share their examination results. The second patent office would then be able to review the patent application using the results of the first patent office, do a "complimentary" examination, and grant the patent if it finds no reason to refuse the application within six months. During the three-year trial period the JPO and USPTO would be able to develop more confidence in each other's patent examinations.

16. (U) At the end of the trial period, the JPO and USPTO would recognize each other's examination results and grant a patent to applicants without a second examination. Applicants and third parties would be able to file appeals and/or take their cases to court in either country. If successful, Japan would like to expand the agreement to European Patent Convention (EPC) countries and others. The ultimate goal is a true global patent.

17. (SBU) Comment:

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The Japanese government believes that IPR is a very promising area for strengthening US-Japan bilateral cooperation. This is another ambitious plan from the IPSH, but one which may encounter much resistance. In talking to U.S. companies and patent attorneys in Tokyo, as well as the Japan Intellectual Property Association (JIPA) we find great enthusiasm for the first part of the plan, in which the USPTO and JPO are able to share examination results and thus speed up the process. However, even U.S. companies which might stand to benefit from mutual recognition of patents, such as IBM, are wary of a system whereby the USPTO would have to issue a patent based on the examination results of another patent office. End Comment

SCHIEFFER